

Message Text

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ACTION EUR-12

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R 171859Z FEB 78
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TO SECSTATE WASHDC 3314
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AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
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USOECD

E.O. 11652: N/A
TAGS: EFIN, ELAB, UK
SUBJECT: PAY POLICY - MORE KEY SETTLEMENTS: GOVERN-
MENT CONTINUES TOUGH. UNIONS REMAIN
POLITICALLY LOYAL

REF: LONDON 1985

SUMMARY: ALTHOUGH 75 PERCENT OF SETTLEMENTS IN THE
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1977-78 PAY ROUND ARE STILL TO BE REACHED, SOME UNION
LEADERS SEE THE GOVERNMENT AS HAVING PASSED THE MOST
DIFFICULT TESTS; AND MINISTERS SEEM MORE CONFIDENT THEY
CAN HANDLE FUTURE PAY CHALLENGES. AMONG RECENT DEVELOP-
MENTS:

-- THE MINERS ACCEPTED A 10 PERCENT RISE, PLUS
LUCRATIVE LOCAL PRODUCTIVITY DEALS, IN LIEU OF THEIR

ORIGINAL 90 PERCENT DEMAND.

-- PETROL TANKER DRIVERS OF THREE OF FOUR MAJOR OIL COMPANIES HIT BY JOB ACTIONS ARE SETTling WITHIN THE GUIDELINES AND RETURNING TO NORMAL WORKING BY FEBRUARY 20.

-- ELECTRIC POWER WORKERS' LEADERS CONTINUE TO TALK PUBLICLY OF DAMAGING JOB ACTIONS IN SUPPORT OF "SUBSTANTIAL INCREASES" BUT PRIVATELY STATE THAT IN THE LIGHT OF THE MINERS' SETTLEMENT THEY DO NOT KNOW WHAT TURN NEGOTIATIONS WILL TAKE.

-- IN THE ENGINEERING INDUSTRY A SETTLEMENT WITHIN THE GUIDELINES IS IN SIGHT.

-- STEEL INDUSTRY UNION LEADERS ARE CONFIDENT THAT A GUIDELINE PAY INCREASE AND SATISFACTORY WORK FORCE REDUCTIONS WILL BE AGREED IN THE NEAR FUTURE.

-- SUBSTANTIAL LABOR FORCE CUTS AT NATIONALIZED BRITISH SHILBUILDERS AND BRITISH LEYLAND ARE ALSO BEING NEGOTIATED WITH UNION LEADERS.

IMPORTANT GROUPS, INCLUDING RAILWAYMEN, ARE HANGING BACK IN HOPE THAT SOME OTHER MAJOR SETTLEMENT WILL GIVE THEM SOME FRINGE BENEFITS, BUT GENERALLY THEY CONFIDE AN EXPECTATION TO SETTLE FOR 10 PERCENT.

THE POSSIBILITY OF DANGEROUS INDUSTRIAL ACTION REMAINS, BUT MINISTERS AND POLICY LEVEL UNION LEADERS BELIEVE THAT PROSPECTS FOR SERIOUS CHALLENGE TO CURRENT PAY POLICY ARE BECOMING SLIMMER WITH EACH SETTLEMENT. LIMITED OFFICIAL USE

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END SUMMARY.

1. WITH PRESIDENT JOE GORMLEY ANNOUNCING ACCEPTANCE OF "THE REALITIES OF LIFE", THE NATIONAL UNION OF MINE-WORKERS (NUM) (REFTEL) REACHED A FINAL SETTLEMENT FOR A FLAT 10 PERCENT PAY RAISE AND A PAT ON THE BACK FROM CALLAGHAN FOR "RESPONSIBILITY", AFTER A RAPID ROUND OF TALKS WITH MINISTERS AND TUC LEADERS WHO MADE IT CLEAR THAT THERE WOULD BE NO MORE ON TOP OF THE LUCRATIVE PRODUCTIVITY DEALS BEING PUT INTO EFFECT. MOREOVER, WITH PAY PACKETS GROWING AS PRODUCTIVITY INCREASES, MINERS WERE IN NO MOOD FOR INDUSTRIAL ACTION TO FIGHT FOR A LARGELY PREEMPTED 90 PERCENT PAY INCREASE. AND AS TOP MINERS LEADERS TELL US, THEY WERE NOT ABOUT TO FORCE A CONFRONTATION WITH THE LABOR GOVERNMENT IN WHAT THEY CONSIDER A RUN-UP TO A GENERAL ELECTION. SO THEY ALSO POSTPONED FOR LATER DISCUSSION SUCH ITEMS AS A GUARANTEED LONG-TERM PAY FORMULA AND CONSOLIDATION OF PAY RATES WHICH WOULD BOOST OVERTIME EARNINGS.

2. THE GROUP MOST IMMEDIATELY AFFECTED BY THE MINERS'

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DECISION IS THE ELECTRICITY POWER WORKERS. NEGOTIATIONS
REMAIN LENGTHY AND FLUID WITH A SETTLEMENT, IF ANY,
LIKELY TO GO DOWN .TO THE WIRE. THE EXPIRATION DATE OF T
PRESENT AGREEMENT BEING MARCH 17. FRANK CHAPPLE,
GENERAL SECRETARY OF THE ELECTRICAL, ELECTRONIC AND
PLUMBERS TRADE UNION (EPTU), WITH CAREFULLY PHRASED
PUBLIC POLEMICS AND TIGHTLY HELD NEGOTIATING STRATEGY,
IS PUZZLING LEADERS OF TRIBUTARY UNION ALLIES, THE
GOVERNMENT, AND THE EMPLOYERS, AND HAS LARGELY CONFUSED
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THE VERY SIGNIFICANT COMMUNIST AND MILITANT OPPOSITION IN HIS OWN UNION. WITH THE ELECTRIC POWER WORKERS NOW ISOLATED, HIS REFERENCES TO THE CATASTROPHIC CONSEQUENCE OF A POWER SHUTDOWN SEEM AS MUCH A WARNING TO HIS OWN MEMBERS OF THE CONSEQUENCES AS A THREAT TO THE ELECTRICITY COUNCIL EMPLOYERS. HIS PURSUIT OF "A SUBSTANTIAL INCREASE" IS COUPLED WITH (SINCERE) DISCLAIMERS THAT HE HARBORS NO WISH TO BCNG DOWN THE LABOR GOVERNMENT. THE MAIN PRESSURE ON CHAPPLE COMES ESPECIALLY FROM THE POWER ENGINEERS WHO WANT CONCESSIONS COMPARABLE TO THE MINERS AMONG WHOM THEY LIVE, ESPECIALLY IN VIEW OF THE LARGE INCREASES IN PRODUCTIVITY DURING THE YEARS OF WAGE RESTRAINT. BUT THERE IS NO SUPPORT FROM THE TUC OR OTHER UNIONS INVOLVED FOR TAKING ON THE GOVERNMENT, WHICH IS REMAINING SILENT, WATCHFUL AND ADAMANT. PRIVATELY NEGOTIATORS TELL US THE EMPLOYERS AND UNION REMAIN FAR APART WITH ONLY GRUDGING MINOR CONCESSIONS ON EITHER SIDE. THEY SAY AT THIS POINT THEY CANNOT PREDICT WHAT TURN NEGOTIATIONS WILL TAKE. THEY SAY EVEN IF THEIR MEMBERS, WITH TIME, ADJUST PSYCHOLOGICALLY TO A GUIDELINE SETTLEMENT WITH SOME PRODUCTIVITY DEAL, THE POSSIBILITY OF LOCALIZED ACTIONS WHICH THE OFFICIAL UNION LEADERSHIP CANNOT CONTROL IN THE MORE MILITANT AREAS REMAINS A REAL POSSIBILITY. BUT THEY SEE NO NATIONAL ACTION TO SHUT DOWN THE ECONOMY.

3. THE OVERTIME BANS AND WORK TO RULE IMPOSED BY PETROL TANKER DRIVERS OF THREE OF FOUR MAJOR OIL COMPANIES THAT BEGAN FEBRUARY 1, BEGAN TO COLLAPSE WITHIN THREE WEEKS AS FRUSTRATED DRIVERS CAME TO RECOGNIZE THE JOB ACTIONS WERE BITING INTO THEIR EARNINGS MORE EFFECTIVELY THAN INTO THE COMPANIES AND THE INCONVENIENCED YET CALM PUBLIC -- AND THAT THE GOVERNMENT WAS PREPARING DRASTIC LIMITED OFFICIAL USE

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ACTION IF THE DRIVERS SIGNIFICANTLY DISRUPTED ECONOMIC ACTIVITY. AFTER SOME HASTY TALKS BETWEEN TGWU GENERAL SECRETARY JACK JONES WITH MINISTERS (AND WITH OIL COMPANIES TO STOP RUNNING TO THE GOVERNMENT FOR PROTECTION), THE DRIVERS OF BP, ESSO AND SHELL FOLLOWED UNION ADVICE TO RETURN TO NORMAL WORKING UNDER REWORDED GUIDELINE FORMULA GIVING THEM 10 PERCENT NOW AND SOME FORWARD COMMITMENTS AFTER THIS PAY ROUND IS OVER. TEXACO DRIVER ARE CONTINUING ALONE. THE DESERTIONS FROM THE 30 PERCENT TANKER DRIVERS' DEMAND, ALONG WITH THE 10 PERCENT MINERS SETTLEMENT, BOOSTED MINISTERIAL MORALE AS THE THREAT TO ENERGY SUPPLIES RECEDED.

4. THE ENGINEERING INDUSTRY NATIONAL NEGOTIATIONS WHICH
BROKE DOWN FOLLOWING AN OFFER BY THE ENGINEERING EMPLOY-
ERS' FEDERATION (EEF) OF 4.25 PERCENT ON THE TOTAL WAGE
BILL WILL PROBABLY BE REVIVED NOW THAT THE UNIONS HAVE
SOMEWHAT REDUCED THEIR CLAIMS. UNDER THE STRUCTURE OF
COLLECTIVE BARGAINING IN THE INDUSTRY, THE NATIONAL
AGREEMENT FORMS A NATIONAL MINIMUM WAGE PAID BY FEDERATE
EMPLOYERS. THE LARGER COMPANIES, HOWEVER, PAY RATES
ABOVE THIS MINIMUM WHILE THE SMALLER FIRMS PAY AT OR
NEAR THE NATIONAL RATES. THE SMALL COMPANIES

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FEEL THREATENED IF THE NEW NATIONAL RATE IS INCREASED

TOO MUCH. IN ANY CASE FOR THE 2,500,000 ENGINEERING WORKERS A NATIONAL MINIMUM OF PROBABLY 4.5 TO 5 PERCENT COULD LEAVE SUFFICIENT ROOM FOR COMPANY SETTLEMENTS WITHIN THE 10 PERCENT GUIDELINE. THE DEPARTMENT OF EMPLOYMENT, WITH ITS LIMITED MONITORING STAFF, AS MINISTERS POINT OUT, WILL HAVE TO RELY ON ITS BASIC WAGE MODERATION TOOL -- THE RESISTANCE OF EMPLOYERS TO EXCEED THE GUIDELINES IN AN INDUSTRY WHICH IS CHARACTERIZED BY LIMITED OFFICIAL USE

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SMALL MARGINAL FIRMS, HEAVILY DEPENDENT ON GOVERNMENT CONTRACTS.

5. WITH THESE, AND OTHER, NEGOTIATIONS PROCEEDING MUCH AS THE GOVERNMENT WOULD HOPE, THE ATMOSPHERE REMAINS ONE OF CAUTIOUS CONFIDENCE THAT GOVERNMENT FIRMNESS IS WORKING AND FURTHER TESTS MAY BE EASIER AS THE INFLATION RATE DECLINES TO A SINGLE FIGURE. SEVERAL IMPORTANT GROUPS ARE POSTPONING THE COMMENCEMENT OF SERIOUS NEGOTIATIONS UNTIL THE LAST MINUTE. MOST SIGNIFICANT OF THESE GROUPS IS THE RAILWAYMEN, WHO ARE DUE TO IMPLEMENT A NEW DEAL AT THE END OF APRIL. RAILWAY UNION LEADERS PRIVATELY SAY THEY ARE DRAGGING OUT THEIR NEGOTIATIONS ON VAGUE CLAIMS WATCHING FOR TECHNIQUES AND SETTLEMENTS BY OTHERS TO SQUEEZE A BIT MORE THAN 10 PERCENT THROUGH FRINGE BENEFITS. THUS, THE NATIONAL UNION OF RAILWAYMEN (NUR) AND ITS ALLIED RAILWAY UNIONS IN A MONEY-LOSING, POPULARLY CRITICIZED NATIONALIZED INDUSTRY ARE ASKING FOR "SUBSTANTIAL INCREASES" BUT THEY EXPECT TO SETTLE FOR 10 PERCENT. A THREAT OF SIGNIFICANT JOB ACTION ON THE RAILWAYS IS NOT IN THE CARDS. THE STEEL UNIONS, AND BRITISH STEEL CORPORATION HAVING LEARNED THE HARD LESSONS OF PUBLICITY IN A SICK INDUSTRY ARE QUIETLY NEGOTIATING SHARP PLANNED MANNING REDUCTIONS WITH A SETTLEMENT NEAR 10 PERCENT. SIMILARLY LOCAL AND NATIONAL PUBLIC EMPLOYEES WHO COME TOWARDS THE END OF THE WAGE QUEUE SEEM DOMINATED BY THE VIEW (ACCORDING TO THEIR LEADERS) THAT JUSTICE, THE COST OF LIVING, COMPARABILITY, EQUITY, RATE FOR THE JOB, AND OTHER BARGAINING CONSIDERATIONS ARE SWEEPED AWAY WHEN A GOVERNMENT DECIDES ON A WAGE CRITERION THAT 10 PERCENT IS ALL THAT NATIONAL ECONOMY POLICY WILL PERMIT.

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6. WHILE BRITAIN'S TRADE UNION LEADERS -- AND PARTICU-

LARLY THE TUC IN PRACTICE -- ARE GENERALLY SUPPORTING GOVERNMENT POLICY, THEY ARE SENSITIVE TO THE GROWING FRUSTRATION AND RESTIVENESS AMONG THEIR MEMBERS OVER WAGE RESTRAINT. AMONG THEMSELVES TRADE UNION LEADERS ARE BALANCING THE VALUE OF CONTINUED WAGE MODERATION TO THEIR OWN SPECIAL INTEREST GROUPS, AGAINST GAINS THEY MIGHT WREST THROUGH FREER COLLECTIVE BARGAINING. POWERFUL MEMBERS OF THE GENERAL COUNCIL WHO SUPPORT THE CONTINUATION OF WAGE MODERATION SAY THAT AT THIS POINT THEY CANNOT TAKE THE TUC WITH THEM INTO A PHASE IV -- AT LEAST IN A WAY THAT RESEMBLES THE PAST TWO-AND-ONE-HALF YEARS. THEY ARE LOOKING FOR A BACK DOOR TO DO SO, CONVINCED THAT IN BRITAIN TODAY SOME NEW FRAMEWORK OF WAGE SETTING IS NEEDED IF THERE IS TO BE EPIITY IN THE DISTRIBUTION OF INCOME AMONG WORKERS. IN THE MEANTIME, WHILE THERE ARE DIFFERENCES OVER ECONOMIC ISSUES AND TACTICS BETWEEN THE TRADE UNIONS AND THE LABOR GOVERNMENT, THE POLITICAL LINKS REMAIN SECURE. AND IF THERE ARE DOUBTS WITHIN TUC AS TO HOW, IF, OR IN WHAT FORM A WAGE MODERATION POLICY SHOULD CONTINUE IN THE NEXT PAY ROUND, THERE IS NO INCLINATION DURING THIS ONE TO CHALLENGE WAGE RESTRAINT AND INCOMES POLICY IN A WAY THAT WOULD WEAKEN THE LABOR GOVERNMENT'S PROSPECTS IN A POSSIBLE RUN-UP TO A GENERAL ELECTION.

STREATOR

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